



Central Vermont Public Service Corporation

Power Planning & Regulatory Affairs

To: Susan M. Hudson, Clerk
Of: Vermont Public Service Board
From: Bruce Bentley 
Central Vermont Public Service Corporation ("Central Vermont" or "CVPS")
Re: EEU Targeting Workshop
Date: November 1, 2006

In an effort to expedite the resolution of targeting issues, Central Vermont and other utilities have developed a strategy for identifying targets for incremental Energy Efficiency Utility ("EEU") funds toward transmission and distribution ("T&D") reliability and supply concerns which direct these funds to areas where they have a high potential of helping to defer or avoid otherwise necessary T&D upgrades. Rather than completing the template proposed by Green Mountain Power Corporation ("GMP") and refined at the EEU Targeting Workshop, the goal of this process was to use the expertise of system planners to look for subtransmission and distribution system problems, and related feeder circuits, where Demand Side Management ("DSM") could be targeted that would also help to solve or defer transmission problems identified in the Vermont Electric Power Company ("VELCO") Long Range Transmission Plan.

Through a series of meetings and conference calls, CVPS can report that the undersigned utilities have identified the following problems where they believe DSM would be best targeted:

| Utility | Distribution Constraint | Related Transmission Constraint |
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| CVPS | St. Albans City and Town - DSM has the potential to defer the need for a new 34.5/12.47 kV substation in the St. Albans area (2010). | This targeting could also aid in reducing the reliability exposure related to the 34.5 kV subtransmission system that is currently part of an ASC. |
| CVPS | Rutland City and Town - DSM has the potential to defer the load serving exposure/ability to serve constraints for the area until a new 46/12.47 kV substation in the Clarendon area is built (2008). | This targeting could also positively impact numerous problems identified in the VELCO's Long Range Transmission Upgrade List. |

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| CVPS | Manchester Area - DSM has the potential to defer distribution line loading problems on the Manchester 12.47 kV circuits. | This targeting will also positively impact constraints on the Southern Loop 46 kV subtransmission. |
| GMP | Colchester, Winooski and Essex Area - DSM has the potential to defer the (2010) New Gorge VELCO Substation and related infrastructure improvements (East Avenue Loop Phase II). | This targeting could also positively impact numerous problems identified in the VELCO's Long Range Transmission Upgrade List. |
| GMP | Colchester, Winooski, Essex, Williston, South Burlington Area- DSM has the potential to defer the (2016) Essex VELCO Substation Upgrade and related infrastructure improvements (East Avenue Loop Phase III) | This targeting could also positively impact numerous problems identified in the VELCO's Long Range Transmission Upgrade List. |
| GMP | Winooski Area- DSM has the potential to defer a third distribution feeder (2014) in Winooski. | This targeting could also positively impact numerous problems identified in the VELCO's Long Range Transmission Upgrade List. |

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| GMP | Hinesburg Area - DSM has the potential to defer the need for a (2008) new substation in this area. | This targeting could also positively impact numerous problems identified in the VELCO's Long Range Transmission Upgrade List. |
| VEC | Newport and Derby Area - DSM has the potential to extend the useful life of VEC's Newport 20 MVA transformer (located within VELCO Newport Substation). | |
| VEC | Smugglers Notch Area - DSM could have defer changeout of substation transformers and reduce need for upgrades of existing distribution system to serve planned ski area expansion). This targeting could also aid in reducing the reliability exposure related to the CVPS 34.5 kV subtransmission system that is currently part of an ASC. | This targeting could also positively impact numerous problems identified in the VELCO's Long Range Transmission Upgrade List. |

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| Group of 14 Municipals | The Group of 14 Municipals have not yet identified specific areas for targeting, but they do support the process. | |
| Washington Electric Cooperative | Washington Electric Cooperative has not yet identified specific areas for targeting, but they do support the process. | |

As you will note, the identified targeting proposal has been designed to assure that the available funds resulting from the EEU Budget Adjustment are deployed in 2007 so as to help solve both distribution and transmission problems. Some utilities may want to submit other projects in 2008 and future years and some may want to submit distribution projects that may or may not have additional, specific subtransmission or transmission benefits.

In order to develop a proposed budget for each of the identified projects, the utilities contemplate that the available EEU targeting funds would be deployed within the identified utility services areas in proportion to such utility's proportion of statewide energy load. In this way, the allocation of the targeting budget would generally follow principles of geographic equity contemplated under the Docket No. 5980 Memorandum of Understanding¹.

CVPS agrees that the use of a template like that developed at the Workshop is a good starting place if the Board is interested in performing an optimization analysis to deploy incremental EEU budget amounts toward T&D system problems. However, as pointed out by the 14 Municipal utilities in their comments served October 13th, filling out the template can require the completion of planning studies and, if different assumptions are used by different companies, the results may not be a true optimization calculation. If the Board desires to pursue optimization efforts to target EEU budget amounts in the future, CVPS believes that such efforts

¹ CVPS recognizes that the geographical equity principles are not required for targeting however, as a part of the transition plan contemplated by the utilities, development of program budgets in this fashion seemed to be a fair and equitable approach that was justified in the absence of greater analysis to determine an optimal strategy for targeting available incremental budget amounts.

will take some time and that additional work should be conducted to structure the analysis with more time allotted to utilities to gather necessary inputs. This could be done in time for implementation as a part of the next EEU budget cycle. In this way, the targeting proposal described above is a transition plan that the utilities propose in order to efficiently target incremental EEU efforts toward areas where there is little risk that the investments will be unsuccessful. Given that each DSM measure to be installed will be cost-justified based on its energy savings, regardless of its impact on T&D planning, CVPS believes that this transition approach is reasonable.

If this proposal can serve as the basis for a recommendation on the use of the incremental EEU budget amounts, the utilities would be able to provide the EEU with additional information such as total load by area and lists of customers taking service in the identified areas. This would enable Efficiency Vermont to develop program proposals to best target services at these customers. CVPS believes this would be an expedient and efficient way to get targeting efforts started as soon as practical. Moreover, if this approach is acceptable, it would avoid the need to complete the template in its entirety for the problems known to the distribution companies and VELCO.

CVPS had a brief conversation with Efficiency Vermont (“EVt”) yesterday to assess the implementation issues attendant to this proposal. While EVt had very little time to review the list and the process involved, they have significant concerns and many questions that need to be addressed and answered before the target areas can be analyzed for implementation feasibility. Implementation issues increase as the target areas become smaller and more focused which may severely limit the ability to use distribution-only targets. We suggest that the Distribution utilities (DUs) and EVt meet as soon as possible to discuss the important implementation issues and exchange information to determine if targeting is possible in the current budget cycle and if so where the best targets are located and how efficiency measures should be designed and implemented.

I am authorized to report that Green Mountain Power, the Vermont Electric Cooperative, the Washington Electric Cooperative and the Group of 14 Municipals, join this proposal.

Please do not hesitate to contact us if you have questions or comments. Your thoughts, consideration and input are very much appreciated.